

1997-98 SESSION
COMMITTEE HEARING
RECORDS

Committee Name:

Joint Committee on
Finance (JC-Fi)

Sample:

Record of Comm. Proceedings ... RCP

- 05hrAC-EdR_RCP_pt01a
- 05hrAC-EdR_RCP_pt01b
- 05hrAC-EdR_RCP_pt02

➤ Appointments ... Appt

➤ **

➤ Clearinghouse Rules ... CRule

➤ **

➤ Committee Hearings ... CH

➤ **

➤ Committee Reports ... CR

➤ **

➤ Executive Sessions ... ES

➤ **

➤ Hearing Records ... HR

➤ **

➤ Miscellaneous ... Misc

➤ 97hrJC-Fi_Misc_pt42b_LFB

➤ Record of Comm. Proceedings ... RCP

➤ **

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Healthstar Funding (Building Program)

[LFB Summary: Page 98.8, #6]

CURRENT LAW

As part of the 1995-97 building program, \$15 million of GPR-supported borrowing and \$15 million of gifts and grants supported borrowing was enumerated for the UW-Madison School of Pharmacy to fund the construction of a new pharmacy building.

BUILDING COMMISSION

Create a Healthstar program for the purpose of providing financial support to attract federal and private funds to construct health science facilities and to facilitate interdisciplinary education and research activities at UW-Madison. Projects financed under the program would have to be designed to provide interdisciplinary health sciences and research facilities, ancillary systems and supporting infrastructure. Provide \$64.5 million in general obligation bonding under the Building Commission's other public purposes bonding authorization. The debt authorization could not exceed the following amounts on the following dates:

- a. \$14.5 million through the 1997-99 biennium;
- b. \$49.5 million through the 1999-2001 biennium; and
- c. \$64.5 million on July 1, 2001, or thereafter.

Further, allow that the general fund borrowing authorized for the WISTAR program (\$170 million after July 1, 1999) to be used for either WISTAR or the proposed Healthstar program.

Allow the Building Commission to authorize projects under Healthstar without specific enumeration in the state building program. Require that projects funded under the Healthstar program include a pharmacy building, health sciences learning center, interdisciplinary research center, parking ramps, related utility expansions, ancillary systems and supporting infrastructure projects at the UW-Madison.

The Building Commission would be allowed to authorize changes in the sources of funds for Healthstar projects if all of the following conditions are met: (a) the total adjusted cost of Healthstar would not exceed \$87 million for general fund supported borrowing; and (b) the Building Commission determines that the total project funding from gifts, grants and other receipts for all Healthstar projects to be at least \$120 million.

DISCUSSION POINTS

1. In its 1997-99 building program budget request, the UW requested: (a) \$15 million of WISTAR, GPR-supported borrowing in 1997-99 to complete funding for the School of Pharmacy building; (b) \$14,950,000 of GPR-supported borrowing in 1997-99 for electrical and water utility upgrades to maintain continued support of current functions and increase heating and cooling capacities to meet the requirements of facilities currently in design or construction; (c) \$3,426,000 of PR-supported borrowing in 1997-99 for a parking ramp addition at the Clinical Science Center on west campus; and (d) \$50 million of GPR-supported borrowing and \$100 million gifts and grants funding over the 1997-99, 1999-01 and 2001-03 biennia for the Healthstar project, which would include an interdisciplinary health sciences research facility and a health sciences learning center on the west campus.

2. In its recommendations for the Healthstar project, the Building Commission combined these four UW requests and would provide: (a) \$22 million GPR-supported borrowing (including \$7.5 million WISTAR borrowing), \$25 million gifts and grants funding and \$18 million PR-supported borrowing in 1997-99; (b) \$35 million GPR-supported borrowing and \$50 million gifts and grants funding in 1999-01; and (c) \$15 million GPR-supported borrowing and \$30 million gifts and grants funding in 2001-03. Additionally, the \$30 million GPR-supported borrowing/gifts and grants funding approved in 1995-97 for the pharmacy building would be included in the Healthstar project.

3. The Building Commission indicates in its budget documents that because construction has not yet begun on the pharmacy building, the pharmacy project could be folded into the Healthstar proposal as well as plans to join the pharmacy building to the health sciences learning center, creating a shared library facility and circular node connecting the two buildings as well as the Clinical Sciences Center and interdisciplinary research center. This would avoid the construction of two separate health sciences libraries, allow for shared facilities and promote the goal of interdisciplinary health sciences research and instruction. This proposal was not included in the original pharmacy building request because the Medical School had not completed

plans for its new research and instructional facilities, and the timeline for completion was unknown.

4. The utilities and parking facilities that would be included in the Healthstar proposal include upgrades to the UW-Madison heating and cooling facilities in order to support recently-constructed or nearly completed research facilities, and parking facilities to support the pharmacy and learning center expansions at the west campus Clinical Sciences Center location. Staff at UW-Madison indicate that the facilities funding provided through the Healthstar proposal would not be sufficient to support future utility expansions that would be necessary once the Healthstar buildings are constructed. Therefore, UW would need to request GPR-supported borrowing in future biennia to fund Healthstar utilities expansion.

5. Staff from the UW indicate that the construction of new health sciences facilities is critical to maintaining the quality of the medical school and related programs. The current medical school facilities were generally constructed during the 1920s and have received few renovations over the past several decades. The laboratory and instruction facilities are unable to support modern or interdisciplinary teaching and research methods which combine perspectives and techniques from various health sciences. The current facilities often do not meet health, safety and fire codes, and may pose problems for the Medical School when seeking re-accreditation. Further, the Medical School indicates that the current facilities prevent them from being competitive with other medical schools when recruiting top-notch research and teaching faculty as well as highly ranked students.

6. While the Healthstar proposal appears to provide a reasonable approach to the long-term building needs of the UW-Madison Medical School, it may be desirable to require the Building Commission to specifically enumerate the project in the state building program as well as provide for borrowing commitments only in the 1997-99 biennium, rather than provide for an overall budget with commitments over the next six years. This would allow for biennial legislative oversight of state borrowing for the Healthstar proposal and a specific budgeted amount in each biennium.

7. On the other hand, the UW argues that without a longer-term commitment from the state, the Medical Foundation will have difficulty attracting gifts and grants for such a large project. Often, large federal grants require a long-term state commitment and individual donors may not wish to commit funds to a project that is not securely funded throughout the entire project. Additionally, the WISTAR program, which allows for eight-year borrowing commitments for UW research facilities, provides a precedent for funding projects of this kind over a longer time period. Further, the bill provides for an \$87 million cap on GPR-supported borrowing and a floor of \$120 million gifts and grants funding. This may provide some assurance that if the costs of Healthstar increase, these increases would be funded through gifts and grants, rather than GPR.

ALTERNATIVES TO BASE

1. Approve the Building Commission's recommendation to provide \$64.5 million in general obligation bonding over the next three biennia, including: (a) \$14.5 million through the 1997-99 biennium; \$49.5 million through the 1999-01 biennium; and (c) \$64.5 million on July 1, 2001, or thereafter for the Healthstar project at UW-Madison.

<u>Alternative 1</u>	<u>BR</u>
1997-99 FUNDING (Change to Base)	\$64,500,000
[Change to Bill]	\$64,500,000]

2. Modify the Building Commission's recommendation to provide \$14.5 million in general obligation bonding in 1997-99 for the Healthstar project at UW-Madison.

<u>Alternative 2</u>	<u>BR</u>
1997-99 FUNDING (Change to Base)	\$14,500,000
[Change to Bill]	\$14,500,000]

3. Maintain current law.

Prepared by: Ruth Hardy

MO#

Alt #1

2 JENSEN	X	N	A
1 OURADA	X	N	A
HARSDORF	X	N	A
ALBERS	X	N	A
GARD	X	N	A
KAUFERT	X	N	A
LINTON	X	N	A
COGGS	X	N	A

BURKE	X	N	A
DECKER	X	N	A
GEORGE	Y	X	A
JAUCH	X	N	A
WINEKE	X	N	A
SHIBILSKI	X	N	A
COWLES	Y	X	A
PANZER	X	N	A

AYE 14 NO 2 ABS _____

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Moveable Equipment Master Lease (Building Program)

CURRENT LAW

An exception to the requirement that individual projects be enumerated by the Legislature is the category of projects known as "all agency" projects. These broad types of projects are enumerated under titles that indicate a general category of work and that establish an overall budget for a biennium for that purpose. One of the all agency project categories is capital equipment acquisition, which generally includes moveable or special equipment.

BUILDING COMMISSION

Although no change to current law is needed, the Building Commission recommendations indicate that moveable and special equipment purchases for seven projects recommended for enumeration in the 1997-99 state building program would be done through a master lease purchase program rather than through general obligation borrowing. These projects include two major Corrections projects, three smaller UW projects and two DNR projects.

DISCUSSION POINTS

State's Equipment Master Lease Program

1. Moveable equipment for building projects includes expenditures for furnishings not provided as part of the construction work such as chairs, tables and desks. The average moveable equipment budget for an office building project is 5% to 6% of the building cost for new construction. However, the percentage will vary depending on the type of project. The

useful life of moveable equipment is generally at least ten years. To the extent possible, agencies generally make use of existing equipment in new or remodeling building projects.

2. Special equipment includes special program equipment such as electron microscopes, automated filing equipment, computers and start-up software. Special equipment generally has a useful life of less than ten years. For some projects, special equipment is purchased directly from a manufacturer or distributor and not included in the construction contracts.

3. The state created a master lease program in September, 1992, for the purpose of acquiring equipment for state departments through installment payments. In 1994, the program was expanded to include, in limited circumstances, the acquisition of prepaid services. Examples of current leased items include the state's accounting system, expansion of the state's central mainframe computer and various information technology items.

4. The program implements a two-phased financing structure: (a) the financing of all leased items initially financed with proceeds from a revolving line of credit for which the state pays interest based on a variable taxable interest rate; and (b) the state, at various times, issues certificates of participation to refinance the revolving credit with a fixed rate and most often tax exempt financing. The state is required to make master lease payments, subject to annual appropriation, sufficient to pay semiannual principal and interest payments on the certificates. The state's obligation to make lease payments is not a general obligation of the state and lease payments due under the master lease are not higher in priority than payments on outstanding general obligation bonds.

5. The master lease program is administered through the Department of Administration and is available for all state agencies, including 18 state departments and any association, society or other body of the State which is entitled to expend appropriated funds, including the Legislature and courts. Through October 1, 1996, 15 of the 18 state departments have used the program to acquire nearly \$98 million in equipment or service items.

6. Under the master lease program, state agencies submit requests to DOA for approval. DOA's review includes a determination as to whether lease financing is the best alternative for acquiring the equipment and the state agency has the resources to make the required lease payments. An agency's master lease payments are not included in the state budget as a separate line item, but rather are included with other expenditures in one or more of an agency's existing operating budget lines.

1997-99 State Building Program -- Capital Equipment

7. In past state building programs, necessary moveable and special equipment have been, for the most part, included in the cost of projects enumerated in the state building program. Further, if a project was funded from general obligation bonds, those bonds have been used to

purchase any needed moveable or special equipment related to that project. Approximately \$22.7 million in identifiable moveable or special equipment requests are contained in the projects enumerated under the recommended the 1997-99 state building program.

8. In its deliberations on the building program, the Commission had as a goal a limit of \$250 million on the amount of GPR supported bonding it would authorize. As part of the effort to achieve this goal, the Commission recommended that approximately \$11.2 million of moveable and special equipment requests associated with seven building program projects be funded through master lease financing rather than with bond proceeds.

9. The debt service payments on state building projects are generally made from a sum sufficient appropriation and therefore, whatever amount needed to fund the debt obligation is made available to the agency. However, master lease payments are not provided on a sum sufficient basis, but rather require an agency to make the payments out of their existing budgets or available revenues. Therefore, the effect of requiring an agency to make master lease payments on equipment that would have otherwise been purchased with general obligation bonds would be that the agency would have to fund the lease payments out of their operating budgets. That is, instead of paying for the equipment from a sum sufficient appropriation an agency may have to: (a) make the lease payments from unspent appropriated base funds; (b) request additional GPR funding to cover the cost of the equipment lease payments; or (c) generate additional program or segregated revenues and request additional expenditure authority to cover the lease payments.

10. The University of Wisconsin Center's requested \$6.0 million associated with the acquisition of movable and other equipment. DFD recommended to the Building Commission that the funding be provided under the master lease program, which would have required the UW-Centers to fund the financing of the \$6.0 million in equipment from their operating budgets. The UW-Centers had not requested additional GPR funding to cover the cost of financing the equipment under master lease in their 1997-99 budget request. As a result, recognizing the difficulty of the UW-Centers to fund the equipment from their existing budget, and that the Centers had been unable to request additional funding to cover the master lease financing costs, the Building Commission provided \$6.0 million in general fund supported general obligation bonding for the acquisition of the equipment.

11. It could be argued that the Department of Corrections, Natural Resources and other campuses of the University of Wisconsin System, also submitted their requests with the understanding that the equipments purchases associated with their projects, if funded, would be funded with general obligation bonds. Similar to the UW-Centers, these agencies would have to fund the master lease payments from their operating budgets and would not have had the opportunity to request the funding necessary to cover the lease payment costs. Therefore, it could be argued that the equipment associated with these projects should be funded from general obligation bonds, similar to the UW-Center's \$6.0 million equipment request, and to the other

\$3.9 million in 1997-99 equipment requests recommended by the Commission to be funded from general obligation bonding.

12. Because of the size of the prison facilities and University building projects, it is unlikely that the equipment would be purchased until the latter part of the biennium and therefore, the lease costs in the biennium would be minimal. The agencies would then have the opportunity to request the funding in the next biennium to cover the lease costs associated with the equipment.

13. DOA staff indicate that requiring an agency to pay equipment related to state building projects from their operating budgets may encourage agencies to use additional scrutiny in compiling their equipment requests. They note that the current system of paying for the equipment from sum sufficient appropriations provides no incentive for agencies to thoroughly review their equipment requests.

14. Conversely, it could be argued that agency requests for equipment related to a building project are currently being reviewed by the DOA's Division of Facilities Development (DFD) and the requesting agency. DFD staff, as staff to the Building Commission, review and analyze each project to determine whether the equipment is necessary and make recommendations to the Building Commission on those requests. Further, DFD's 1997-99 agency capital budget request guidelines state that agencies should utilize existing equipment for a new or remodeled facility to the extent possible.

15. One question relating to the Building Commission's recommendation to use the master lease program for project equipment relates to a comparison of financing costs associated with using general obligation debt versus master lease. In general, the costs associated with either approach revolves around the interest rates and repayment periods used to finance the equipment. Payments under the master lease program, because the repayment obligation under the program is not a general obligation debt of the state, will likely carry a higher interest rate cost. However, under the master lease program, the equipment would be financed under an accelerated amortization schedule (generally a maximum of seven years). As a result, despite a higher interest rate, because of the shorter repayment period, the interest costs incurred under the master lease program may not be higher. However, if the amortization period is shorter, the near-term cash outlay may be increased using the master lease program, which could put pressure on the agencies' operating budgets.

ALTERNATIVES TO BASE

1. Approve the Building Commission's recommendation to authorize the use of master lease to acquire the movable and special equipment for projects authorized in the 1997-99 state building program: (a) \$8,700,000 associated with projects enumerated under the Department of Corrections; (b) \$157,800 associated with projects enumerated under the Department of

Natural Resources; and (c) \$2,324,500 associated with projects enumerated under the University of Wisconsin System (the agencies would be required to fund the acquisition of the equipment from base funds or future appropriation requests).

2. Delete the Building Commission's Recommendations and provide: (a) \$8,700,000 in general fund supported general obligation bonding associated with equipment for the Department of Correction's prison expansion program; (b) \$157,800 in segregated general obligation bonding associated with projects enumerated under DNR (\$47,800 associated with the Antigo ranger station project and \$110,000 associated with the Winnebago County/Oshkosh Cooperative Service Center; and (c) \$2,324,500 associated with projects enumerated under the University of Wisconsin System (\$589,000 associated with remodeling UW-Milwaukee's Sabin Hall, \$13,500 associated with UW-Parkside's physical education building addition and \$1,722,000 associated with UW-Stout's communication center replacement).

<u>Alternative 2</u>	<u>BR-GPR</u>	<u>BR-SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$11,024,500	\$157,800	\$11,182,300
[Change to Bill]	\$11,024,500	\$157,800	\$11,182,300

Prepared by: Al Runde

MO# Alt #2

JENSEN	<input checked="" type="checkbox"/>	N	A
OURADA	<input checked="" type="checkbox"/>	N	A
HARSDORF	<input checked="" type="checkbox"/>	N	A
ALBERS	<input checked="" type="checkbox"/>	N	A
2 GARD	<input checked="" type="checkbox"/>	N	A
KAUFERT	<input checked="" type="checkbox"/>	N	A
LINTON	<input checked="" type="checkbox"/>	N	A
COGGS	<input checked="" type="checkbox"/>	N	A

1 BURKE	<input checked="" type="checkbox"/>	N	A
DECKER	<input checked="" type="checkbox"/>	N	A
GEORGE	<input checked="" type="checkbox"/>	N	A
JAUCH	<input checked="" type="checkbox"/>	N	A
WINEKE	<input checked="" type="checkbox"/>	N	A
SHIBILSKI	<input checked="" type="checkbox"/>	N	A
COWLES	<input checked="" type="checkbox"/>	N	A
PANZER	<input checked="" type="checkbox"/>	N	A

AYE 16 NO 0 ABS 0

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Local Inducements for State Building Projects (Building Program)

[LFB Summary: Page 98.18, #34]

CURRENT LAW

Any town, village, or city is prohibited from making an appropriation or bonus, incurring a liability or levying a tax, in order to provide a consideration or make an inducement to the state to locate a public educational, charitable, reformatory or penal institution.

BUILDING COMMISSION

Eliminate the current law prohibition on offering inducements to the state.

DISCUSSION POINTS

1. The current law provision has been in effect for approximately 100 years (established in Chapter 19, Laws of 1897). The law appears to have been enacted to prevent local communities influencing state decisions in locating public educational, charitable, reformatory or penal institutions.

2. Eliminating the current law prohibition could result in communities bidding against each other to receive state projects. It could be argued that it would be undesirable for the state to allow communities to bid against each other in siting a state project.

3. Deleting the current law prohibition could have the effect of placing poorer communities at a disadvantage in site selection. These communities may not have the finances or assets to offer to the state, for favorable consideration in locating a project in their community, when compared with a more wealthy community.

4. An argument for deleting the current prohibition is that the state costs associated with building a facility could be reduced if a local community were to provide funds, land or other assets in return for having a project located in their community. Locating a state project involves several concerns, including safety, environmental, transportation, as well as the operational costs associated with locating facility in a particular area. A local inducement, if offered, may only be a minor consideration in site selection.

ALTERNATIVES TO BASE

1. *FAIL* Approve the Building Commission's recommendation to delete the municipal law provision that prohibits any town, village, or city from making an appropriation or bonus, incurring a liability or levying a tax, in order to provide a consideration or make an inducement to the state to locate a public educational, charitable, reformatory or penal institution.

2. *Default* Maintain current law.

Prepared by: Al Runde

MO# AIH#1

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
2 GARD	Y	N	A
1 KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE 3 NO 13 ABS

BUILDING PROGRAM

Local Inducements for State Building Projects
(Paper #203)

Motion:

Move to allow any town, village or city to donate land to the state as a consideration for the location of a public, educational, charitable, reformatory or penal institution.

MO# 7042

JENSEN	✓	N	A
OURADA	✓	N	A
HARSDORF	✓	N	A
ALBERS	✓	N	A
GARD	✓	N	A
KAUFERT	✓	N	A
LINTON	✓	N	A
COGGS	✓	N	A

BURKE	✓	N	A
DECKER	✓	N	A
GEORGE	Y	N	A
JAUCH	✓	N	A
WINEKE	✓	N	A
SHIBILSKI	✓	N	A
COWLES	✓	N	A
PANZER	✓	N	A

AYE 15 NO 1 ABS

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Construction Contract Bids (Building Program)

[LFB Summary: Page 98.15, #22]

CURRENT LAW

DOA must obtain the Attorney General's approval for all settlements related to construction contract bid errors.

BUILDING COMMISSION

Delete the current requirement that the Department of Administration obtain the approval of the Attorney General before settling cases relating to bid guarantee settlements when a bid contains an error, omission or mistake, if the settlement amount is less than \$100,000. For settlements in excess of \$100,000, DOA would still have to obtain the Attorney General's approval to settle a bid error.

DISCUSSION POINTS

1. Contracts offered on a competitive basis are required to be factual and without omission or mistakes and contractors are often required to submit a bid guarantee to ensure that their contract bid is a valid bid. If a bid offered is in error, and that bid is the lowest qualified offer, the contract could then be awarded to the next lowest qualified bidder. Further, the contractor whose bid is in error could lose any guarantee submitted with their bid.

2. The proposed change would allow DOA full authority to settle contract bid settlements that are less than \$100,000. For settlements in excess of \$100,000, DOA would still have to obtain the Attorney General's approval to settle a bid error.

3. Staff from the Division of Facilities Development (DFD) in DOA indicate that deleting the Attorney General's review of bid error settlements would expedite the process of settling the cases. Staff at DFD believe that expediting the process would reduce amount of time before it is determined whether or not to award the contract to the next lowest qualified bidder. Further, staff at DFD indicate that DOA has its own legal staff that are involved in any bid guarantee settlements and therefore, the Attorney General's review is not necessary. However, they indicate that DOA could still request assistance from the Attorney General's Office if needed.

4. Under the Building Commission's recommendation, the Attorney General's Office would continue to be involved in the reviewing bid guarantee settlements over \$100,000. Therefore, while the change may expedite settlements for small contracts, bid settlements over \$100,000 would be subject to the current settlement process.

5. Department of Justice (DOJ) officials indicate that only a few cases require their approval each year. Further, they indicate that the review is not time consuming and DOJ approval is often provided within a matter of days. Further, the Department generally agrees with DOA's settlement. Therefore, according to DOJ officials, the current bid settlement system is working.

ALTERNATIVES TO BASE

1. Approve the Building Commission's recommendation to delete the current requirement that the Department of Administration obtain the approval of the Attorney General before settling cases relating to bid guarantee settlements when a bid contains an error, omission or mistake, if the settlement amount is less than \$100,000.

2. Maintain current law.

Default

Prepared by: Al Runde

MO# _____

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Bid Requirements for Projects Less Than \$100,000

[LFB Summary: Page 98.12, #19]

CURRENT LAW

Projects that cost less than \$30,000 are currently exempt from the lowest qualified responsible bidder and public notice contracting requirements if the project would be constructed in accordance with procedures established by the Building Commission. Contractors for such projects are also exempt from various DOA requirements relating to minority contracts and other reporting requirements.

BUILDING COMMISSION

Provide that projects that cost between \$30,000 and \$100,000 would be exempt from the lowest qualified responsible bidder and public notice contracting requirements if the project would be constructed in accordance with procedures established by the Building Commission. Also exempt such projects from other contracting requirements such as: (a) the requirement that DOA attempt to ensure that 5% of the total amount of expended for contracts be awarded to minority contractors; (b) the requirement that contractors report to DOA on the amount of any contracted that was subcontracted to a minority business; (c) the requirement that DOA maintain and annually publish data on contracts awarded to minority businesses; (d) the requirement that DOA approve all subcontractors in writing; and (e) the requirement that DOA ensure that the specification of each construction project require the use of recovered or recycled materials to the extent to which is technically and economically feasible.

DISCUSSION POINTS

1. The Building Commission is required to approve all those in excess of \$100,000 and, in general, the Legislature must approve construction projects in excess of \$250,000.
2. Chapter 497, Laws of 1969, established the lowest qualified responsible bidder and public notice contracting requirements for all contracts exceeding \$15,000. Chapter 39, Laws of 1975, increased the requirement to the current \$30,000 level.
3. The type of project that could be built in 1975 for \$30,000 differs from the type of project costing \$30,000 today. If the \$30,000 amount were adjusted by the change in the consumer price index since 1975, it would be equivalent to approximately \$89,000 in 1997.
4. However, it could be argued that it was not intended that the \$30,000 threshold increase with inflation. The change in the type of project that may be constructed for \$30,000 may accurately reflect the type of projects that the Legislature views should meet the lowest qualified responsible bidder, public notice and other contracting requirements.
5. It could be argued that the public announcement requirements and the lowest responsible qualified bidder were established to open the process to as many contractors as possible and to foster competition among potential bidders which could potentially reduce the state's costs. By requiring that projects be publicly announced, more potential bidders are made aware of the projects and are able to bid on the project. Further, by requiring that a contract be awarded to the lowest responsible qualified bidder, DOA could encourage competition between bidders that could result in lower prices being paid by the state for the projects. The Building Commission's recommendation would eliminate any potential benefits to state from the existing requirements for projects between \$30,000 and \$100,000.
6. Currently, the Building Commission must approve each project that costs \$100,000 or more. The Commission recommended that the bid requirements for projects should match that \$100,000 requirement level. Further, staff from the Division of Facilities Development (DFD) in DOA indicate that increasing the bid requirements threshold to \$100,000 would be reduce the administrative requirements for DFD and potential contractors.
7. Staff from DFD believe that the current public notice and lowest qualified bidder requirements can deter small and minority contractors from bidding on state projects. They indicate that the process can be time consuming, involving administrative and paperwork complexity, which can deter some contractors from bidding on contracts.
8. However, eliminating the public notice requirement, and other bidding requirements could make it difficult for bidders who may be deterred from the current bidding process, from ever knowing about the projects, although presumably the Commission would establish some notice requirements in its procedures.

9. Eliminating the requirement that DOA attempt to ensure that 5% of contracts between \$30,000 and \$100,000 be offered to minority contractors, as well as the 5% leeway on low bids and the reporting requirements on the number of minority contractors and subcontractors involved in such projects, could potentially impact the number of state contracts issued to minority contractors.

ALTERNATIVES TO BASE

1. Approve the Building Commission's recommendations to provide that projects that cost between \$30,000 and \$100,000 would be exempt from the lowest qualified responsible bidder and public notice contracting requirements if the project would be constructed in accordance with procedures established by the Building Commission. Further eliminate various DOA contracting requirements relating to minority contracts, subcontractors and recyclable materials and other reporting requirements.

2. Maintain current law.

See motion #7041

Prepared by: Al Runde

MO# _____

JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

AYE _____ NO _____ ABS _____

BUILDING PROGRAM

Bid Requirements for Projects Less Than \$100,000
(Paper #205)

Motion:

Move Alternative 1 in Legislative Fiscal Bureau paper #205 as modified to continue the reporting and contracting requirements relating to minority contracts.

MO# 7041

JENSEN	<input checked="" type="checkbox"/>	N	A
OURADA	<input checked="" type="checkbox"/>	N	A
HARSDORF	<input checked="" type="checkbox"/>	N	A
ALBERS	<input checked="" type="checkbox"/>	N	A
GARD	<input checked="" type="checkbox"/>	N	A
KAUFERT	<input checked="" type="checkbox"/>	N	A
LINTON	<input checked="" type="checkbox"/>	N	A
COGGS	<input checked="" type="checkbox"/>	N	A

BURKE	<input checked="" type="checkbox"/>	N	A
DECKER	<input checked="" type="checkbox"/>	N	A
GEORGE	<input checked="" type="checkbox"/>	N	A
JAUCH	<input checked="" type="checkbox"/>	N	A
WINEKE	<input checked="" type="checkbox"/>	N	A
SHIBILSKI	<input checked="" type="checkbox"/>	N	A
COWLES	<input checked="" type="checkbox"/>	N	A
PANZER	<input checked="" type="checkbox"/>	N	A

AYE 15 NO 1 ABS

BUILDING PROGRAM

Contracting

Motion:

Move to require that the Building Commission may waive the requirements for projects between \$30,000 and \$100,000 if the Commission opts to do so, shall post those projects on its WEBB page.

MO# 5058

JENSEN	<input checked="" type="checkbox"/>	N	A
OURADA	<input checked="" type="checkbox"/>	N	A
HARSDORF	<input checked="" type="checkbox"/>	N	A
ALBERS	<input checked="" type="checkbox"/>	N	A
GARD	<input checked="" type="checkbox"/>	N	A
KAUFERT	<input checked="" type="checkbox"/>	N	A
LINTON	<input checked="" type="checkbox"/>	N	A
COGGS	<input checked="" type="checkbox"/>	N	A

BURKE	<input checked="" type="checkbox"/>	N	A
DECKER	<input checked="" type="checkbox"/>	N	A
GEORGE	<input checked="" type="checkbox"/>	N	A
JAUCH	<input checked="" type="checkbox"/>	N	A
WINEKE	<input checked="" type="checkbox"/>	N	A
SHIBILSKI	<input checked="" type="checkbox"/>	N	A
COWLES	<input checked="" type="checkbox"/>	N	A
PANZER	<input checked="" type="checkbox"/>	N	A

AYE 16 NO 0 ABS